

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 CIEP-01 AID-05

L-02 PRS-01 BIB-01 NEAE-00 CIAE-00 INR-07 NSAE-00

RSC-01 XMB-02 /037 W

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P 221030Z JAN 75

FM AMEMBASSY MANAMA BAHRAIN

TO SECSTATE WASHINGTON DC PRIORITY 1809

INFO AMEMBASSY ABU DHABI U A E PRIORITY

AMEMBASSY BEIRUT LEBANON

AMEMBASSY DOHA QATAR

AMEMBASSY JIDDA SAUDI ARABIA

AMEMBASSY KUWAIT KUWAIT

C O N F I D E N T I A L MANAMA 0090

E.O. 11652 : GDS

TAGS : BBIS, BA

SUBJECT : RTV BAHRAIN

REF : MANAMA 1055; MANAMA 0003

1. NATIONAL BANK OF BAHRAIN HAS FORMALLY ASKED GOB MINISTRY OF FINANCE TO INSTITUTE BANKRUPTCY PROCEEDINGS AGAINST RTV. THIS IN ACCORDANCE RTV CHARTER WHICH PLACES BANKRUPTCY PROCEEDINGS UNDER MINISTRY RATHER THAN JUDICIAL SUPERVISION. UNDER EXISTING (AND REPORTEDLY DETAILED) PROCEDURES FOR HANDLING SUCH CASES MINISTRY WILL GIVE RTV ONE WEEK TO RESPOND; IF REPOSE UNSATISFACTORY (I.E. RTV CAN NOT COME UP WITH ADDITIONAL FINANCIAL RESOURCES REQUIRED OR OTHERWISE SATISFY CREDITORS) MINISTRY WILL APPOINT RECEIVER TO LIQUIDATE RTV ASSETS.

2. BANK MANAGER WOOD (UK-SUBJECT, PROJECT) TELLS US HE MOVED RELUCTANTLY AGAINST RTV WHEN IT BECAME CLEAR THAT COMPANY'S REALIZABLE ASSETS MIGHT NOT COVER ITS INDEBTEDNESS TO BANK, THAT ITS FINANCIAL SITUATION IS DETERIORATING RATHER THAN
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IMPROVING, AND THAT THERE SEEMS SCANT HOPE FOR AMICABLE

ARRANGEMENT BETWEEN MININFORMATION MOAYYID AND ABC'S (AND
IMS BOARD CHAIRMAN) MAURICE KHOURY (LEBANESE CITIZEN)
PERMITTING GOB TAKEOVER OR FINANCIAL SUPPORT.

3. WHEN NEWS BROKE I CALLED ON MOAYYID, WHO INSISTS THAT GOB
NOT YET INVOLVED IN THIS PROBLEM IN "POLICY" SENSE. (FINANCE
MINISTRY'S ROLE IN BANKRUPTCY PROCEEDINGS IS PURELY
ADMINISTRATIVE. GOB'S LIABILITY AS 20 PERCENT NOMINAL
OWNER IN RTV BAHRAIN IS LIMITED AND GOB CAN REMAIN PASSIVE
PARTICIPANT IN PROCEEDINGS.) MOAYYID EXPRESSED HOPE IME/ABC
GROUP COULD COME UP WITH FINANCING BUT ADMITTED THAT SINCE
RTV BAHRAIN INDEBTED TO SEVERAL OTHER LOCAL BANKS IN ADDITION
TO NATIONAL BANK, PROSPECTS FOR BAHRAINI PRIVATE SECTOR
FINANCING ARE SLIM. MINISTER SAID IF RTV UNABLE OR UN-
WILLING TO COME UP WITH REQUIRED RESOURCES HE HOPED COMPANY
WOULD SEEK "VOLUNTARY LIQUIDATION" TO AVOID MORE FORMAL AND
RIGID BANKRUPTCY PROCEEDINGS, POSSIBLY FINDING WAY TO REALIZE
ENOUGH FROM SALE ITS CHARTER AND UNCOMPLETED NEW FACILITIES
TO SATISFY MOST OF CREDITOR CLAIMS.

4. MOAYYID STRESSED GOB HOPES TO AVOID GETTING INTO TELEVISION
BUSINESS HERE AND EVEN IF THIS BECOMES NECESSARY IS LOATH TO
ACQUIRE RTV AND ASSUME ITS LIABILITIES AND "EXPENSIVE" FUTURE
FACILITIES. HE DID NOT RULE OUT COMPLETELY, HOWEVER GOB'S
STEPPING IN AT LAST MINUTE. (COMMENT: STORY IS MAKING
ROUNDS THAT GOB QUIETLY SOUNDED OUT APPROPRIATE NATIONAL
ASSEMBLY COMMITTEE ABOUT POSSIBILITY OF STATE BUDGET
APPROPRIATION TO BUY OUT RTV BUT WHEN COMMITTEE TOOK A LOOK
AT RTV BOOKS IT GAVE UNENCOURAGING RESPONSE.

5. IN RESPONSE MY EXPRESSION OF CONCERN EFFECT RTV CRISIS
MIGHT HAVE ON US-BAHRAINI BUSINESS RELATIONS MOAYYID REITERATED
POINTS HE HAD MADE EARLIER (MANAMA 3, PARA 2) THAT IN HIS
VIEW USG HAS NO PROPER INTEREST IN STATUS OF INVESTMENT OF A
"LEBANESE COMPANY" (ABC BEIRUT) IN BAHRAIN. HE CONSIDERS IT
"STRANGE" RTV BAHRAIN'S AMERICAN MANAGERS HAVE CONSISTENTLY
ACQUIESCED IN LOCAL IDENTIFICATION RTV AS "AMERICAN COMPANY",
AND SUGGESTED THIS IS THE TIME FOR EMBASSY TO CLARIFY TO
LOCAL OPINION THAT RTV BAHRAIN IS NOT "AMERICAN ENTERPRISE."

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6. MINISTER ALSO HELD FIRM, IN RESPONSE MY EXPRESSION OF
CONCERN, TO INSISTENCE USG-GUARANTEED SALES BY EXPOCREDIT
TO RTV BAHRAIN ARE ULTIMATELY UNDERWRITTEN BY U.S. COMPANY
IMS (MCKEE). HENCE, IF GOB DOES NOT BAIL OUT RTV AND RTV
BAHRAIN (OR RECEIVER) CAN NOT FULLY SATISFY CLAIMS OF U.S.
EXPORTERS, IT IS RESPONSIBILITY OF U.S. ENTITY (IMS) TO
DO SO. IF IMS CANNOT, THIS IS "DOMESTIC" U.S. LEGAL/FINANCIAL
PROBLEM.

7. ASSESSMENT: THIS IS MESSY SITUATION WHICH WILL TEND TARNISH IMAGE OF AMERICAN BUSINESS IN BAHRAIN. GOB (AT LEAST MOAYYID) OBVIOUSLY QUITE PREPARED TO STAND BACK AND WATCH RTV/ABC/IMS INTEREST HERE GO DOWN THE DRAIN, THEN STEP IN "RELUCTANTLY" ON ITS OWN TERMS TO "RESCUE" TELEVISION IN BAHRAIN, AND PERHAPS TO SOME DEGREE SEEK TO SATISFY RTV CREDITORS (AT LEAST LOCAL CREDITORS). GOB SEEMS TO HOLD ALL THE CARDS AND INDEED TO FEEL WITH SOME JUSTIFICATION THAT IT IS THE VICTIM RATHER THAN THE VILLAIN IN THIS PIECE. ABOUT THE BEST WE CAN HOPE FOR IN THIS SITUATION IS TO TRY TO DISENTANGLE THE U.S. IMAGE FROM THE "RTV SCANDAL" AND, ONCE THE DUST HAS SETTLED SEE WHO (GOB OR IMS/MCKEE) IS LIABLE FOR ANY EX-IM GUARANTEED OBLIGATIONS STILL DUE FROM RTV TO EXPOCREDIT.

8. RECOMMENDATIONS: A) TO PRIVATE, AND POSSIBLY PRESS, QUERIES HERE I INTEND POINT OUT 1) WHO RUNS TELEVISION HERE IS STRICTLY MATTER FOR GOB TO DETERMINE AND USG HAS NO INTEREST IN SEEING AMERICAN ENTITIES INVOLVED; 2) RTV BAHRAIN IS NOT "AMERICAN COMPANY"; IT IS BAHRAINI COMPANY WITH OUTSIDE LEBANESE INTEREST; AND 3) EMBASSY IS FOLLOWING SITUATION FROM COMMERCIAL STANDPOINT BECAUSE USG GUARANTEES COVER EXPORT OF CERTAIN EQUIPMENT TO RTV BY AMERICAN COMPANY. (B) DEPARTMENT MAY WISH TO BRIEF EXPOCREDIT ON SITUATION. (C) WOULD BE HELPFUL TO EMBASSY TO KNOW CURRENT STATUS OF RTV PAYMENTS TO EXPOCREDIT AND EXACT NATURE OF IMS GUARANTEES OF EXPOCREDIT/RTV TRANSACTIONS AND OTHER RTV OBLIGATIONS. SINCE FIRST OF YEAR RTV/ABC/IMS GROUP HAS NOT SOUGHT CONTACT WITH EMBASSY AND I AM NOT INCLINED SEEK THEM OUT.

9. REPEATING PERTINENT BACKGROUND MESSAGE TO INFO ADDRESSEES.
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